

Testimony of Gerald Bachmeier

Red Trail Energy, CEO
North Dakota Ethanol Producers Association, President

To the Interim Senate Appropriations Committee

October 13, 2021

Chairman Holmberg and members of the Interim Senate Appropriations Committee:

I am Gerald Bachmeier, and I am the CEO of Red Trail Energy located in Richardton. I also serve as the president of the North Dakota Ethanol Producers Association (NDEPA), which represents North Dakota's six ethanol plants, industry stakeholders and associated businesses. NDEPA is here today to indicate support for Rep. Brandenburg's proposal to use \$42.25 million of North Dakota's American Rescue Plan Act (ARPA) funds to repay loans issued to five of the state's ethanol plants in 2020 through the Ethanol Recovery Program.

North Dakota's ethanol industry contributes \$624 million annually to the state's economy and provides more than 10,000 direct and indirect jobs. The plants utilize 160-180 million bushels of corn annually to produce more than 500 million gallons of ethanol. In addition, 1.3 million tons of distiller's grains are produced and utilized in livestock feeding operations.

The Ethanol Recovery Program is a loan guarantee and interest buydown program for North Dakota ethanol plants established in 2020 from the existing state Biofuels PACE program and value-added loan guarantee program. It provided ethanol producers up to \$15 million in low-interest (1%) loans. Loans were provided by commercial banks but backed by the State Improvement and Investment Fund (SIIF) and the interest lowered by the Bank of North Dakota (BND). Our industry is grateful for the program as it helped our state's plants weather the economic challenges related to the COVID-19 pandemic.

The program, approved by the North Dakota Industrial Committee and implemented by BND, was effective in helping the industry, which is essential to farmers and rural communities, through an unprecedented time where fuel prices plummeted, and fuel demand was cut in half due to the COVID-19 pandemic. As biofuel plants across the country close during this crisis, the Ethanol Recovery Program

offered support to sustain North Dakota's ethanol plants during this time of extreme industry challenges.

Coming off COVID-19 disruptions, the state was hit with a year of extreme drought, which significantly impacted the production of corn and other ethanol feedstocks. According to the U.S. Drought Monitor, 2021 is the seventh driest year to date over the past 127 years. In addition, all 53 counties in North Dakota have USDA disaster designations. North Dakota's corn yield is projected to be down considerably this year from 139 bushels per acre in 2020 to 108 bushels per acre for the 2021 crop year. While the industry was starting to rebound, the drought and resulting 2021 crop loss has inhibited a full recovery by driving up the cost basis for corn as much as 75 cents.

The drought has and will continue to affect rancher ability to feed their livestock. Each bushel of corn processed by North Dakota ethanol plants produces 18 pounds of livestock feed (distillers grains), which are a cost-efficient, high-quality feed to supplement livestock during times of drought when forages are poor quality.

The request for funding is to provide up to \$42.25 million to repay the loans issued through the Ethanol Recovery Program during the Covid-19 pandemic to North Dakota ethanol producers. Since the loans are through private financial institutions, the dollars will go back to those entities and the state's \$80 million value-added loan guarantee program will remain fully intact and available for future use should it be needed.

We thank you for your support of the state's ethanol industry in the past and urge your favorable consideration of this proposal, which will assist with sustaining an industry important to the state's economy and ag producers. Below is a list of additional organizations that have indicated support of the proposal.

Supporting Organizations

North Dakota Corn Growers Association

North Dakota Farmers Union

North Dakota Grain Growers Association